

## INVOICE TERMS AND CONDITIONS OF SALE

1. **CONTRACT:** The terms of this invoice constitute a contract for sale between Power Magnetics business unit of Power Paragon Inc., L-3 Communications Corporation ("Power Magnetics") and Buyer (designated on the face hereof) which shall be made in and governed by the laws of the State of California without regard to choice of law provisions of that state. Buyer agrees that this document shall constitute the entire contract between Power Magnetics and Buyer. Power Magnetics' goods are commercial goods; these terms shall be construed to be between merchants. Except as agreed in writing, these terms constitute the entire agreement between Power Magnetics and Buyer concerning Power Magnetics' sale of goods, and no representation, affirmation of fact, course of prior dealings, promise, condition or usage of the trade shall be binding on either party. No change, modification, rescission, discharge, abandonment or waiver of these terms shall be binding upon Power Magnetics unless made in writing, and signed on its behalf by an authorized representative. Insofar as any of these terms are not enforceable in any particular jurisdiction, such unenforceable provision shall be deemed not to apply. These terms apply to all sales of products by Power Magnetics except as modified by Power Magnetics' written agreement, quotes or confirmations. No additions or modifications are effective unless accepted by Power Magnetics in writing. All other terms are expressly rejected.
2. **DELIVERY, SHIPMENT RISK OR LOSS:** Unless otherwise agreed to in writing by Power Magnetics, all shipments of goods are in accordance with Power Magnetics standard shipping policies and shall be F.O.B. Power Magnetics factory for delivery to all U.S. locations and *ex works* Seller's point of shipment for all other shipments. Buyer agrees to assume all risk for loss of, or damage to, the goods from the time of delivery to a carrier at Power Magnetics factory, or if the shipment is delayed or deferred by an act or omission of Buyer, then from the time the goods are completed and ready for shipment. Identification of the goods shall occur as each shipment is placed in the hands of the carrier. In the event that the goods are destroyed, in whole or in part, prior to the time the risk of pass passes to Buyer, this agreement shall be voided and Power Magnetics excused from all obligations hereunder. If the loss is partial, Buyer shall have no right to accept that portion of the goods which conform hereto. Power Magnetics shall not be liable for either delays in deliveries or total failure to deliver due to any cause or event beyond Power Magnetics control, including, but not limited to, acts of God, acts of Buyer, acts of civil or military authority, fires or other casualty, labor disputes, floods, war, earthquakes, delays in transportation; inability beyond Power Magnetics' reasonable control to obtain necessary labor, materials, components or manufacturing facilities; or any other commercial impracticability or cause beyond Seller's reasonable control. Strikes, labor difficulties, delay or defaults of common carriers, or failure or curtailment in Power Magnetics' source of supply, and in addition, Power Magnetics shall have the right, in the event of the happening of any of the above or other Force Majeure contingencies, to cancel this agreement or any part thereof without any resulting liability. Shipments made within thirty (30) days after specified date of delivery shall constitute a timely delivery of goods. Orders for goods shall be considered complete upon shipment of a reasonable quantity over or under the amount specified when it is impractical to produce the exact quantity order. During regular business hours and pursuant to Power Magnetics' policies regarding same, Buyer shall have the right and shall be given the opportunity to inspect the goods at Power Magnetics factory upon tender by Power Magnetics. If Buyer receives the goods or takes possession of them without inspecting, then such acts on the part of Buyer shall constitute a waiver of his right to inspect, and Buyer shall be deemed to have accepted the goods and shall have no right to revoke such acceptance. Any costs incurred in the inspection of goods shall be borne by Buyer. Furthermore, Buyer shall have no right to reject the goods, and in the event Buyer refuses to receive goods, Power Magnetics shall hold them for Buyer's account; however, Power Magnetics shall have no obligation to resell goods for Buyer's benefit, but may take whatever steps necessary (including without limitation the resale of said goods) to preserve their value and recover the full price from Buyer.
3. **TERMS:** All prices, whether herein named or heretofore quoted or proposed, shall, at Power Magnetics option, be effective at time of shipment. Unless otherwise agreed in writing, payment terms are cash, certified check, C.O.D., or irrevocable Letter of Credit (L/C), U.S. dollars, without right of setoff. No discounts are authorized. Subject to Seller's approval of Buyer's credit, payment is due thirty (30) days from date of invoice. All sales are subject to prior approval of Power Magnetics' Credit Department. The amount of credit or terms of payment may be changed by Power Magnetics at any time for any reason. *Pro rata* invoices will issue with respect to partial shipments. If shipment is delayed by Buyer, payment is due on the date Power Magnetics is prepared to make shipment, and goods held for Buyer shall be at the risk and expense of Buyer. Failure to make payment within ten (10) days of demand by Power Magnetics shall, at Power Magnetics' option, constitute repudiation of any outstanding orders, in which event Power Magnetics shall be entitled to assert cancellation charges. An interest charge shall be assessed against all delinquent payments. Buyer agrees to execute either prior or subsequent to delivery upon Power Magnetics request, a security agreement, financing statement, and any and all other documents or agreement necessary to give Power Magnetics a perfected security interest with respect to all goods and proceeds thereof, and to pay the cost of filing the same in any public office. Furthermore any other terms to the contrary herein notwithstanding, Power Magnetics reserves the right to require payment in advance of shipment in cash. Buyer represents, on entering into this agreement for sale, that he is not insolvent, as defined in Section 1-201(23) of the Uniform Commercial Code. In the event that Buyer becomes insolvent before delivery of the goods, he will notify Power Magnetics. Failure to notify Power Magnetics shall be construed as a reaffirmation of Buyer's solvency at time of delivery. Buyer acknowledges that certain Products offered by Power Magnetics and contained in Power Magnetics' price list are subject to minimum buy quantities.
4. **WARRANTY, REMEDIES:** All units are guaranteed against defective design, material or workmanship for one (1) year from date of shipment. Defective units are to be returned to the factory. If factory inspection and test confirm the unit defective, Power Magnetics will repair or replace the defective unit. Credit will then be issued to compensate for freight charges incurred because the unit was defective and the repaired or replacement unit will be returned prepaid. This warranty shall not apply to any good which has been repaired, altered or which has been damaged such that Power Magnetics is unable to verify the defect with its normal test equipment, or which has been subjected to abuse (including without limitation electrostatic discharge), or improper (i) handling, (ii) installation, (iii) maintenance, (iv) removal, (v) modification or (vi) use. Power Magnetics' warranty shall not be enlarged, and no obligation or liability shall arise out of Power Magnetics' rendering of technical advice, facilities or service in connection with Buyer's order or the goods furnished.  
**EXCEPT FOR THE WARRANTIES SPECIFICALLY SET FORTH HEREIN, THERE SHALL BE NO EXPRESS WARRANTIES, NOR SHALL THERE BE A WARRANTY OF MERCHANTABILITY WITH RESPECT TO THE GOODS, FURTHERMORE, POWER MAGNETICS MAKES NO WARRANTY THAT THE GOODS ARE FIT FOR ANY PARTICULAR PURPOSE, FURTHER AND TO THE EXTENT PERMITTED BY APPLICABLE LAW, THESE WARRANTIES ARE IN LIEU OF ANY WARRANTIES OF NON-INFRINGEMENT, AS WELL AS ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, AND IT IS EXPRESSLY AGREED BY BUYER, IN PURCHASING THE GOODS, THAT THE LIABILITY OF POWER MAGNETICS, IF ANY, SHALL BE LIMITED SOLELY TO THE REPLACEMENT AND REPAIR OF THE GOODS IN ACCORDANCE WITH THE WARRANTIES SPECIFICALLY AND EXPRESSLY SET FORTH HEREIN AND TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE LIABILITY OF POWER MAGNETICS, WHETHER UNDER CLAIMS OF WARRANTY, NEGLIGENCE OR OTHERWISE, SHALL NOT EXCEED THE PRICE PAID FOR THE LIABLE GOODS. THE REMEDIES OF THE BUYER ARE THE EXCLUSIVE AND SOLE REMEDIES AVAILABLE AND IN THE EVENT IF A BREACH OR REPUDIATION OF ANY PROVISION OF THIS AGREEMENT BY POWER MAGNETICS, UPON EXPIRATION OF THE WARRANTY PERIOD ALL LIABILITY SHALL TERMINATE. POWER MAGNETICS AND ITS SUPPLIERS SHALL NOT BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, REMOTE CONSEQUENTIAL OR PUNITIVE DAMAGES, SUCH AS, BUT NOT LIMITED TO, LOST PROFITS, SAVINGS, OR REVENUES, HOWEVER ARISING FROM OR CAUSED, DIRECTLY OR INDIRECTLY, BY THE USE OF GOODS BY BUYER, OR BY THE PERFORMANCE OR FAILURE OF THE SELLER TO PERFORM UNDER THIS AGREEMENT, OR BY ANY OTHER ACT OR OMISSION OF POWER MAGNETICS, OR BY ANY OTHER CAUSE.**
5. **TAXES:** The amount of the present or future sales, revenue, excise, and all other taxes, whether city, state or federal city, applicable to the goods, shall be added to the purchase price and shall be the responsibility of Buyer.
6. **RETURN OF GOODS:** Buyer agrees not to return goods for any reason, except upon the written consent of Power Magnetics obtained in advance of such return, which consent, if given, shall specify the terms and conditions upon which any such return may be made. Buyer shall request and obtain Power Magnetics' written Return Material Authorization ("RMA") before returning goods of any type, including warranty repair returns; all return documentation must contain Power Magnetics' return authorization identification number. Power Magnetics will refuse returned shipments not approved by Power Magnetics, or not properly identified. The request for return approval must include serial number, part number, lot number and date code, when possible, full identification of goods to be returned and explanation for the return request. Proper handling procedures must be used in the packing and shipping of all returned Goods. Goods must be returned in the same or equivalent container in which they were shipped with the RMA number clearly visible on the package. Buyer retains title to goods returned for repair.
7. **SPECIAL TOOLS:** All the tools, dies, patterns, jigs and fixtures, if any required for the manufacture of the goods shall remain the sole property of Power Magnetics, and shall be retained in Power Magnetics possession, whether or not Buyer has paid Power Magnetics for such items.
8. **PATENTS:** Buyer shall defend, settle, indemnify and hold Power Magnetics harmless from, and release and not make claim or suit against Power Magnetics because of any suits, claims, losses, or other liability (referred to herein as a "Claim"), made against or suffered by, Buyer arising from any claim of, or infringement of patent, copyright, trademark, or other proprietary right at common law, or claim of unfair trade or of unfair competition however such Claim arises, resulting from, or occasioned by, Buyer's use, possession, sale, or delivery of the goods sold to Buyer by Power Magnetics.
9. **INFORMATION DISCLOSED:** No information or knowledge heretofore or hereafter disclosed to Power Magnetics in the performance of or in connection with the terms, hereof, shall be deemed to be confidential or proprietary, unless otherwise expressly agreed to in writing by Power Magnetics, and any such information or knowledge shall be free from restrictions, other than a Claim for patent infringement for which Buyer shall defend, settle, and fully indemnify Power Magnetics, as part of the consideration hereof.
10. **INDEMNIFICATION:** To the extent that Buyer's agents, employees or subcontractors enter upon premises occupied by or under the control of Power Magnetics, or any of its customers or suppliers, in the course of performance hereunder, Buyer shall take all necessary precautions to prevent the occurrence of the injury, including death, to any person, or any damage to any property, arising out of any acts or omissions of Buyer, its agents, employees or subcontractors. Except to the extent that any such injury or damage is due solely and directly to Power Magnetics gross negligence, Buyer shall indemnify and hold Power Magnetics harmless against all losses, claims liabilities, and expenses, including reasonable attorneys fees, arising out of any act or omission of Buyer, its agents, employees or subcontractors, and Buyer shall maintain such Public Liability, Property Damage and Employee's Liability and Compensation Insurance as will protect Power Magnetics from any claims under any applicable Occupational Health and Safety, Workmen's Compensation and Occupational Disease Acts.
11. **POWER MAGNETICS RIGHT OF POSSESSION:** Power Magnetics shall have the right in addition to all others it may possess, at any time, for credit reasons or because of Buyer's defaults, to withhold shipments, in whole or in part, and to recall goods in transit, retake same, and repossess all goods which may be stored with Power Magnetics for Buyers account, without the necessity of taking any other proceedings, and Buyer consents that all goods so recalled, retaken, or repossessed shall become the absolute property of Power Magnetics without further liability to Power Magnetics. Power Magnetics retains a security interest in all goods until full payment for goods has been made; Buyer agrees to do all acts necessary to maintain Power Magnetics' security interest. Buyer hereby appoints Power Magnetics as its agent and Attorney-in-Fact to execute any financing statements under the Uniform Commercial Code and any appropriate amendments thereto on Buyer's behalf which Power Magnetics deems necessary to protect Power Magnetics' interest in the goods. In the event that Buyer defaults in the due performance of or compliance with any of the terms or condition hereof, or a proceeding in bankruptcy, assignment for benefit of creditors, insolvency, receivership or reorganization be instituted by or against Buyer or Buyers property or business, Power Magnetics may, at its option, terminate this agreement upon written notice and shall be relieved of all obligations hereunder. If the Buyer is in breach of the terms hereof, Power Magnetics shall have a right to receive as damages the price for the goods as stated herein. Upon recovery of the price, the goods shall become the property of Buyer. The foregoing shall not be construed as limiting, in any manner, any of the rights or remedies available to Power Magnetics, because of any default of the Buyer, under the Uniform Commercial Code or other law as in force and effect on the date hereof.
12. **CANCELLATION:** Buyer agrees that an order shall in no event be subject to cancellation except by prior written consent of Power Magnetics, and then only when Power Magnetics is fully reimbursed for work performed and material used.
13. **ASSIGNMENT:** Buyer shall not delegate any duties, nor assign any rights or claims hereunder, without prior written consent of Power Magnetics, and any such attempted delegation or assignment shall be void. All claims for monies due or to become due from Power Magnetics shall be subject to deduction by Power Magnetics for any setoff or counterclaim arising out of this or any other transaction with Buyer, whether such setoff or counterclaim arise or after any such assignment by Buyer.
14. **NON-WAIVER REMEDIES: COST AND ATTORNEY'S FEES:** The remedies here reserved or created shall be cumulative and additional to any other or further remedies provided at law or in equity. Power Magnetics may remedy any breach of the terms or conditions hereof and may waive any breach of the terms or conditions hereof without waiving the breach remedied or without waiving any other prior or subsequent breach. Buyer shall pay all of Power Magnetics costs and expenses, including attorneys fees, incurred by Power Magnetics in exercising any of its rights or remedies hereunder or enforcing any of the terms or conditions hereof. Any action for breach hereof must be commenced within two years after the cause of action was accrued.
15. **SEVERABILITY:** Any provisions hereof prohibited by law shall be ineffective to the extent of such prohibition without invalidating the remaining provisions hereof.
16. **HEADING:** The headings used herein are for reference purposes only and shall not affect the meaning or interpretation hereof.
17. **TRANSPORTATION/PACKAGING:** Power Magnetics will ship goods using its established methods of packing and transportation, except as otherwise instructed by Buyer. If Buyer requires other packing or preparation, Buyer will pay the additional costs.
18. **WAIVER:** The waiver by either party of any term, provision, or condition must be in writing and shall not be construed to be a waiver of any other term, condition, or provision. No waiver or failure to enforce rights or remedies concerning a default shall constitute a waiver of any other or subsequent default.
19. **EXPORT CONTROL:** Buyer agrees not to sell or deliver Power Magnetics' goods for ultimate delivery to those areas to which delivery would be forbidden under U.S. law/regulations pertaining thereto.